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FISCAL IMPACT STATEMENT

LS 6214

BILL NUMBER: HB 1299

NOTE PREPARED: Jan 6, 2004

BILL AMENDED:

SUBJECT: Tax Credit for Worksite Health Programs.

FIRST AUTHOR: Rep. Friend

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a state tax credit to a taxpayer providing a worksite health and productivity process for the taxpayer's Indiana employees. For a basic qualified health and productivity process, the credit is the lesser of: (1) 2% of state tax liability; or (2) \$50 multiplied by the number of employees. For a comprehensive qualified health and productivity process, the credit is the lesser of: (1) 4% of state tax liability; or (2) \$100 multiplied by the number of employees. The bill requires the Department of Workforce Development to certify a worksite health and productivity process.

Effective Date: January 1, 2004 (retroactive).

Explanation of State Expenditures: The Department of Workforce Development (DWD) is required to administer the tax credit by certifying the worksite health and productivity programs operated by companies. This responsibility could potentially require at least one full-time equivalent employee with salary, benefits, and indirect cost totaling about \$64,000 annually. (Note: This is based on the personnel requirements of the Historic Rehabilitation Credit administered by the Indiana Department of Natural Resources.)

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. The December 3, 2003, state staffing table indicates that the DWD has 109 vacant full-time positions. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this credit. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: This bill provides a tax credit for certain worksite health programs. The tax credit is effective for tax years beginning January 1, 2004. The credit is applicable to the Adjusted Gross Income Tax, the Financial Institutions Tax, and the Insurance Premiums Tax. The maximum revenue loss from Corporate Adjusted Gross Income, Financial Institutions, and Insurance Premiums taxes due to the credit is estimated to be between \$7.5 M and \$15.0 M in FY 2004; and between \$15.0 M and \$30.0 M annually beginning in FY 2005. To the extent that businesses paying the Individual Adjusted Gross Income Tax (sole proprietorships, s-corporations, partnerships, and limited liability companies) qualify for the tax credit, the potential revenue loss to the state could be higher. However, data on the tax liability from these businesses is not available.

Background: Worksite health programs include both basic health promotion programs as well as comprehensive health management systems. At this time, no data has been found regarding the aggregate statewide implementation of these types of programs. The typical cost of a program to an employer is between \$35 and \$50 per employee, but may range up to \$250 per employee for certain programs.

For a "Basic" (or Tier 2) program, the bill provides for a tax credit equal to the lesser of: (1) 2% of the taxpayer's state tax liability; or (2) an amount equal to \$50 multiplied by the number of the taxpayer's employees. For a "Comprehensive" (or Tier 3) program, the credit is equal to the lesser of: (1) 4% of the taxpayer's state tax liability; or (2) \$100 per employee. The credit is nonrefundable, and no carryback is allowed. However, a carryforward is permitted.

The impact of this credit on state revenue from corporate business is estimated to total between \$7.5 M and \$15.0 M in FY 2004; and between \$15.0 M and \$30.0 M annually beginning in FY 2005. This assumes that all employers provide coverage that would be eligible for this credit. Data relating to employers filing Individual AGI Tax returns is unavailable. The first-year estimate is based on the maximum allowable credit of 2% of the taxpayer's tax liability for a Basic Program and 4% for a Comprehensive Program for two quarters of CY 2004 (six months of FY 2004). The estimates are also based on the Revenue Technical Committee's April 10, 2003, Corporate, Financial Institutions, and Insurance Premiums Tax forecast totaling \$735.9 M in FY 2004 and \$747.1 M in FY 2005. (Note: The amount of tax credit available to a taxpayer is limited to \$50 per Indiana employee for Basic programs and \$100 per Indiana employee for Comprehensive programs. Thus, the potential revenue loss would be reduced to the extent that these limits hold total credits below either 2% or 4% of tax liability.) The revenue loss from the Adjusted Gross Income, Financial Institutions, and Insurance Premium taxes will affect the state General Fund and the Property Tax Replacement Fund.

A description of the types of activities that comprise worksite health and productivity programs and how those programs would qualify for Basic and Comprehensive tax credits is provided in the following table. As described in the footnotes of the tables, the classification (into "Basic" or "Comprehensive" programs) of a company's program for tax credit purposes is based on the total points accumulated for various worksite activities.

LEVELS OF INTERVENTION	Preventive Health	Physical Activity	Nutrition & Weight Control	Mental Health	Tobacco Use Cessation
AWARENESS ACTIVITIES 1 point for each activity or type of item	Wellness newsletters Employee assistance program material Pamphlets Educational posters Educational table tents Educational displays Resource center	Employee Health & Fitness Day events Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes	"Nutrition month" events Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes	"Mental health month" events Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes	Great American Smokeout events Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes
SCREENING & ASSESSMENT PROGRAMS, WITH APPROPRIATE COUNSELING 4 points for each activity or type of screening	Health risk appraisal (HRA) Company paid screening tests (e.g. blood pressure, total cholesterol, HDL cholesterol, triglycerides, colorectal cancer, glucose, spirometry, fitness, etc.)	Fitness tests	Computerized diet analysis Body-fat tests	Depression screening Questions on HRA regarding stress levels	Pulmonary tests (spirometer, etc.) Carbon-monoxide tests
EDUCATIONAL ACTIVITIES 3 points for each activity or type of program	Seminars Videos AIDS education STD education Referral resource list Self-help guides	Seminars Videos Individual exercise prescription	Seminars Videos Cooking demonstrations Self-help guides	Seminars Videos Self-help guides Humor program	Seminars (e.g. smokeless tobacco, etc.) Videos Self-help kits
BEHAVIOR CHANGE ACTIVITIES 5 points for each type of activity or type of program		Aerobics classes Walking club Exercise contests	Courses (e.g. nutrition, weight control) Nutrition counseling Nutrition contests Support groups	Courses (e.g. stress control, self-esteem, mental disorders, etc.)	Courses Support groups Individual counseling
CULTURAL SUPPORT ACTIVITIES 10 points for each type of activity	Incentive program	On-site fitness center Exercise trails Company sports teams Subsidize off-site programs or memberships	Healthy menu offered each day Healthy vending options Subsidize off-site programs Take-home food options	Employee assistance program "Quiet room" Subsidize off-site stress management programs Management training Employee training in conflict management, team building, coworker communications	Subsidize off-site cessation programs Benefit coverage for nicotine gum, nicotine patch, prescription drug aids to cessation
Basic Program requires 20 points. Comprehensive Program requires 60 points with at least 20 points coming from Cultural Support Activities. No more than 50% of points can come from any one level of intervention. Based on: 1992 National Survey of Worksite Health Promotion Activities, Guidelines for Employee Health Promotion Programs, AWHP.					

LEVELS OF INTERVENTION	Alcohol & Substance Abuse	Occupational Health & Safety	Prenatal Health	Medical Self Care	Work & Family
AWARENESS ACTIVITIES 1 point for each activity or type of item	Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes	Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes	Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes	Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Resource center	Articles in company newsletter Pamphlets Educational posters Educational table tents Educational displays Learning quizzes
SCREENING & ASSESSMENT PROGRAMS, WITH APPROPRIATE COUNSELING 4 points for each activity or type of screening	Questions on HRA regarding levels of alcohol and drug use Drug testing policy	Posture tests Back health tests Ergonomic surveys	Benefit coverage for prenatal care	Survey regarding level of self-care knowledge or use of self-care guide	Employee opinion survey for perceptions of quality of work life with follow-up
EDUCATIONAL ACTIVITIES 3 points for each activity or type of program	Seminars Videos Self-help guides	Seminars (e.g. back care, carpal tunnel prevention, VDT use, etc.) Videos Self-help guides	Seminars Videos Self-help guides	Seminars Videos Self-care book to every employee Self-help guides	Seminars Videos Self-help guides
BEHAVIOR CHANGE ACTIVITIES 5 points for each type of activity or type of program	Courses Support groups Individual counseling	Courses (e.g. CPR, first aid, back care, ergonomics, etc.)	Courses High risk identification and follow-up	Self-care courses	Courses
CULTURAL SUPPORT ACTIVITIES 10 points for each type of activity	Employee assistance program Benefit coverage for treatment Supervisor education	Subsidize off-site programs OSHA compliance Ergonomic issue identification and resolution process	Subsidize off-site programs Breast-feeding room		On-site daycare Eldercare referral service Flextime options Telecommuting options Job-sharing options Employee concierge services
<p>Basic Program requires 20 points.</p> <p>Comprehensive Program requires 60 points with at least 20 points coming from Cultural Support Activities.</p> <p>No more than 50% of points can come from any one level of intervention.</p> <p>Based on: 1992 National Survey of Worksite Health Promotion Activities, Guidelines for Employee Health Promotion Programs, AWHP.</p>					

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Department of Workforce Development.

Local Agencies Affected:

Information Sources: Dr. Julie Meek, The Haelan Group, 974-5700; April 10, 2003, State Revenue Forecast; Department of Natural Resources, Historic Preservation and Archeology staff listing, <http://www.in.gov/dnr/historic/gen-info.html>.

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